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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

UCL3612 – COMPANY LAW I (All Sections / Groups)

21 OCTOBER 2019

Reading Time: 2.30pm - 2.45pm

(15 Minutes)

Answering Time: 2.45pm – 5.45pm

(3 Hours)

INSTRUCTIONS TO STUDENT

1. Students will have **fifteen minutes** during which they may read the paper and make rough notes **ONLY** in the question paper. Students then have the remaining **THREE HOURS** in which to answer the questions.
2. This Question paper consists of 3 pages with 5 Questions only.
3. Answer **ALL** questions in **PART A** and **ONE (1)** question in **PART B**. All questions carry equal marks and the distribution of the marks for each question is given.
4. Students are only allowed to bring in a **CLEAN** and **ORIGINAL COPY** of Companies Act 2016 (Act 777) into the exam venue.
“Clean” is defined to include no tagging, no annotation either by the publisher or anyone else, and no erased marking. Highlighting and underlining are also prohibited.
5. Please write all your answers in the Answer Booklet provided.

PART A:
ANSWER ALL THE QUESTIONS

QUESTION 1

Milk, Mocha and Latte decided to form a company known as Yummy Sdn. Bhd. (YSB) to run the business as a dessert shop. On 23 September 2019, Latte bought a van for RM65,000. Mocha entered into a contract with Ice Bear Sdn. Bhd. ("IBSB") on 2 October 2019 to purchase a considerable quantity of ice cream. The contract form ended with "Yours faithfully, Yummy Sdn. Bhd." and Mocha's signature was added beneath.

Subsequently, the notice of registration for incorporation of YSB dated 7 October 2019 was issued by the Companies Commission of Malaysia. Milk, Mocha and Latte are named as the shareholders and directors of YSB.

On 9 October 2019, Latte resold his van to YSB for RM80,000. At the first meeting of the board of directors of YSB, Latte did not disclose the profit he made. YSB is concerned if they are bound by the contract with IBSB as they recently found another supplier of ice cream which is able to quote a lower price for them.

Discuss the rights and liabilities of the parties.

(Total: 25 marks)

QUESTION 2

Hotel Greenland Bhd. ("HGB") holds all the shares in Goodie Restaurant Sdn. Bhd. ("GRSB"). GRSB carried on the restaurant business at HGB's premises and HGB had day-to-day control over GRSB. Both companies have common directors. Due to the financial losses, GRSB had to close its business. The employees of GRSB started to press HGB to pay them the termination benefits.

HGB agreed to purchase a piece of land from Baby Shark Sdn. Bhd. (BSSB). However, BSSB changed its mind. Before the sale of the land to HGB was completed, BSSB transferred ownership of the land to Big Whale Sdn. Bhd. (BWSB) for a significantly less amount. BSSB claimed that they no longer owned the land and therefore the sale of the land to HGB was void. HGB discovered that BWSB is actually a wholly-owned subsidiary of BSSB. The directors are common to both BSSB and BWSB.

Advise HGB.

(Total: 25 marks)

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QUESTION 3

The Companies Act 2016 has been said to be a one-size-fits-all template for companies. Thus, a company has the option of whether to operate with a constitution or not. Companies Act 2016 also allows companies to have the options to opt-in or opt-out of default clauses set out in the Companies Act 2016. However, with the new wide-ranging options given to the companies, how can the members be assured that their rights in the company are protected?

Discuss.

(Total: 25 marks)

PART B:**ANSWER ANY ONE (1) QUESTION ONLY****QUESTION 4**

(a) Mr. Ruslip, was a founder of Farringdon Bhd (“FB”). FB is currently managed by 3 directors; two of whom are his sons. Although Mr. Ruslip no longer serves on the board of director, he has been directing his two sons in matters relating to the company. When a claim was filed against the board of directors including Mr. Ruslip for breach of their duty as directors to the company, Mr. Ruslip argued that his name was not in any of the official documents of FB.

Advise the parties.

(10 marks)

(b) Wapping Bhd. (“WB”) is a solution provider of waste separation and recycling. Recently, WB restructured its board of directors in an effort to strengthen and enhance the company's management and performance. WB now wishes to appoint Mr. Ampere who resides in Indonesia, Mr. Dalston, aged 93 years old and Ms. Gidea who is an engineer to serve on the board of directors. Last year, Ms Gidea was jailed for one day and fined RM10,000 for giving a bribe of RM200 to a traffic police officer to avoid getting summonses. Mr. Brent, one of the shareholders in WB disagrees with the appointment of Mr. Dalston and claims that he is not within the age limit and unsound.

Advise WB as to the eligibility of appointment of directorship under the Companies Act 2016.

(15 marks)

(Total: 25 marks)

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QUESTION 5

Mike, Will and Lucas are directors of a ride-hailing transport services company, Starcourt Bhd. ("SB"). Lucas, a non-executive director of SB has set up Mind Flayer Sdn. Bhd. ("MFSB"), which also provides ride-hailing transport services. All the shares in MFSB are owned by Lucas, Nancy who is his wife and his two sons. MFSB occupies 75% market shares in the ride-hailing market in Johor and Singapore and it reached one billion rides across Singapore. However, Lucas did not at any point disclose his interest to the board of directors at SB.

In the meanwhile, Mike approved RM1.5 million as a payment for loss of office to Moon, his former girlfriend and also a former Managing Director at Ahoy Sdn. Bhd. ("ASB"), a subsidiary of SB. Furthermore, between October 21, 2015 and October 13, 2016, more than RM3 million was transferred from ASB to a dubious law firm known as Gorgon and Partners. This transfer was authorised by Moon during her tenure as Managing Director. Subsequently, the money was used to purchase luxury goods and gifts.

The board of directors of SB and ASB recently found out of the activities of Lucas, Mike and Moon. They seek your advice.

(Total: 25 marks)

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